

ARIZONA DEPARTMENT OF CORRECTIONS

CORRECTIONS OFFICER RETIREMENT PLAN MEMBER BENEFIT HANDBOOK

This Corrections Officer Retirement Plan (CORP) Member Benefit Handbook is provided for informational purposes only. It provides an interpretation of the CORP laws and policies, and an overview of the benefit program. However, it is not a legal document. Consult the Arizona Revised Statutes, Title 38, for specific laws. If there is a difference between the laws and this handbook, the laws will prevail.

For simplicity, one gender (he) is referenced in this handbook; however, it is understood that it applies equally to both male and female individuals.

For further information, call or visit:

Corrections Officer Retirement Plan
Local Board
1831 West Jefferson
Phoenix, Arizona 85007
(602) 771-2100
www.adcprisoninfo.az.gov

or write to:

Public Safety Personnel Retirement System
Corrections Officer Retirement Plan
1020 East Missouri
Phoenix, Arizona 85014-2613

ARIZONA DEPARTMENT OF CORRECTIONS
CORRECTIONS OFFICER RETIREMENT PLAN
LOCAL BOARD

BOARD MEMBERS

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Patrick E. Scherden, Member State Secretary Arizona F.O.P. - Arizona Chapter	09/27/2002 - 09/27/2006
Mike Smarik, Member Assistant Director Arizona Department of Corrections	05/01/2001 - 05/01/2005
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Bennie Rollins, Member Northern Region Operations Director Arizona Department of Corrections	12/20/2002 - 12/20/2006

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INTRODUCTION

Definitions

- A. **Accidental Disability:** A physical or mental condition that the Local Board finds totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department. The condition must have been incurred in the performance of the employee's duties and the result of physical contact with inmates, prisoners, parolees or persons on probation, responding to a confrontational situation with inmates, prisoners, parolees or persons on probation or a job-related motor vehicle accident while on official business.
- B. **Accumulated Member Contributions:** The sum of all member contributions deducted from a member's salary and paid to the fund, plus member contributions transferred to CORP from another State of Arizona retirement plan covering public employees, plus previously withdrawn accumulated member contributions which are repaid to CORP in accordance with the Arizona Revised Statutes, minus any benefits paid to or on behalf of a member.
- C. **Actuarial Present Value:** The cost of the increase in benefits that a member will receive for his expected lifetime. This increase is based primarily on the number of years of service that the member buys back and his anticipated age at retirement. The Actuarial Present Value is calculated by a group of independent statisticians who compute insurance risks and premiums.
- D. **Average Monthly Salary:** The combined amount of salary paid to a member by a participating employer during a period of 36 consecutive months of service in which a member received the highest salary within the last 10 years of service. *(If a member has less than 36 months of service, Average Monthly Salary is the combined amount of salary paid to a member divided by the member's months of service).*
- E. **Beneficiary:** An individual who is being paid or who has entitlement to the future payment of benefits by reason of another individual's membership in CORP.
- F. **Claimant:** A member, beneficiary or estate that files an application for benefits with the retirement plan.
- G. **Credited Service:** Those paid periods of service as a member of the retirement plan for which member contributions are on deposit in the fund, plus credited service transferred to the retirement plan from another retirement system or plan for public employees of this State.

INTRODUCTION

Definitions (Continued)

- H. **Defined Benefits:** A retirement plan in which an employee's future retirement benefit is determined by a specific formula. Under this plan the employer saves and invests the funds in a common investment system to finance benefits. The benefits are normally tied to the employee's earnings, length of service or both.
- I. **Defined Contribution Plan:** A retirement plan in which contributions are accrued in an individual's personal account to be managed and invested by the individual. The amount of a member's future retirement benefit is based upon the amount of money on account at the time of retirement.
- J. **Employee:** A person determined by the local board to be employed by a participating employer in a CORP-designated position.
- K. **Employer:** An agency or department of this State which has one or more employees in a CORP-designated position. In this handbook, the employer is the Arizona Department of Corrections.
- L. **Fund:** Accumulated monies of CORP.
- M. **Fund Manager:** A five member Board appointed by the Governor and Legislature charged with oversight of the Public Safety Personnel Retirement System.
- N. **Local Board:** A Retirement Board consisting of persons appointed or elected to administer the CORP Retirement Plan as it applies to the employer's members of CORP.
- O. **Member:** A full-time employee in a CORP-designated position who works at least 40 hours a week and for more than six months in a calendar year.
- P. **Participating employer:** An employer which the fund manager has determined to have one or more employees in a CORP-designated position.
- Q. **Pension:** A series of monthly payments by CORP.
- R. **Retired member:** An individual who is being paid a benefit as a result of the individual's membership in CORP.

INTRODUCTION

S. Retirement: Termination of employment after a member has fulfills all requirements for a pension.

INTRODUCTION

Definitions (Continued)

- T. Retirement Plan or Plan:** The Corrections Officer Retirement Plan (CORP).
- U. Salary:** The base pay including shift differential pay and holiday pay paid to a member in a CORP-designated position that is paid on a regular monthly, semimonthly or biweekly payroll basis.
- V. Service:** Employment rendered to a participating employer as an employee in a CORP-designated position. Any absence that is authorized by an employer, including any periods during which the employee is on an employer sponsored long-term disability program, is considered as service if the employee returns or is deemed by the employer to have returned to a CORP-designated position within the period of the authorized absence.
- W. Survivor:** Surviving spouse, child or designated beneficiary of a deceased member.
- X. Total and Permanent Disability:** A physical or mental condition that is not an accidental disability, that the Local Board finds totally and permanently prevents a member from engaging in any gainful employment and that is the direct and proximate result of the member's performance of his duty as an employee of an employer.

MEMBERSHIP

Eligibility

An employee who begins employment in a CORP-designated position must become a member of CORP as stipulated by Arizona Revised Statute. Once a member starts making contributions to the plan, he begins earning credited service.

Upon enrollment, an employee working in a CORP-designated position must undergo a physical examination pursuant to A.R.S. 41-1822 (B). This examination is to be conducted by a doctor or clinic appointed by the Local Board. Corrections Officers (CO) who are required to complete a pre-employment medical examination conducted by the Recruitment Unit for Selection and Hiring (RUSH) before entering COTA are excluded from this requirement. Also, excluded from this requirement are employees who are required to take a pre-placement physical administered by the Department of Administration (ADOA), Occupational Health Unit, as a condition of employment.

The examination will be used to identify a member's physical or mental condition or injury that existed or occurred before the member's date of membership in CORP in the event he requests a disability retirement. Any employee who refuses to submit to the medical examination waives all rights to disability benefits under CORP. Medical examinations will **not** be used for the purposes of hiring, advancement, discharge, job training or other terms, conditions and privileges of employment unrelated to receipt or qualification for pension benefits or service credits from the fund.

Pre-enrollment examinations may be scheduled by calling the CORP Local Board office at (602) 771-2100. Employees who are on duty at the time they are scheduled for an examination may use state vehicles or be reimbursed for mileage in accordance with the Department of Corrections policy regarding travel.

Retirement Plan Waiver

The Local Board may specify a non-designated position within ADC as a CORP-designated position if the position is filled by an employee, who has at least **five years** of credited service under CORP who is transferred to temporarily fill the position. A written request to the Local Board to specify the position as a CORP designated position must be submitted within **90 days** of filling the position. When the employee leaves the position, the position reverts to a non-designated position.

The Local Board may specify a CORP-designated position within ADC as a non-designated position if the position is filled by an employee who has a least **five years** of credited service under ASRS. A written request to the Local Board to specify the position as a non-designated position must be submitted within **90 days** of accepting the position. When the employee leaves the position, the position reverts to a CORP-designated position. *(Example: This applies to a member of ASRS who is hired by the Department of Corrections to fill a CORP*

designated position who wishes to remain in the ASRS system.)

MEMBERSHIP

Contributions

Member contributions of 8.5% are made by payroll deduction from the member's salary, on a pre-tax basis, and deposited into the member's individual account maintained by the Fund Manager for CORP. The current employer contribution rate is actuarially determined annually and may fluctuate from year to year.

Pretax

Effective July 1, 2000, retirement contributions to CORP will be made on a pretax basis. Contributions made on a pretax basis will defer taxation on a member's contributions until retirement or until a member terminates employment and requests a refund of contributions.

Termination and Refund of Contributions

A member who terminates employment with **LESS than five years** of credited service, for any reason other than death or retirement, may apply for a refund of his retirement contributions on account with the Plan. Upon making application, the member is entitled to receive a lump-sum payment of the **accumulated member contributions** within 20 calendar days after the application for refund payment has been received in the office of the Fund Manager.

Members who terminate employment with **five or MORE years** of credited service are entitled to receive their contributions plus a percentage of additional monies according to the following schedule:

Years of Credited Service	Percent (%) of Additional Contributions
5 - 5.9	25% of Member Contributions
6 - 6.9	40% of Member Contributions
7 - 7.9	55% of Member Contributions
8 - 8.9	70% of Member Contributions
9 - 9.9	85% of Member Contributions
10 - or More	100% of Member Contributions

MEMBERSHIP

Termination and Refund of Contributions (Continued)

Interest is calculated only for those members who, at the time of their termination, have ten (10) or more years of credited service and have left their contributions on account with CORP for more than 30 days after termination of employment and after that time period requests a refund of their contributions.

Federal Tax law requires CORP to withhold 20% of the amount of taxable monies of a member's contributions, when a member terminates employment with ADC and elects to receive a refund of his retirement contributions, unless a member chooses to have eligible **(taxable)** monies in his retirement account paid directly to another acceptable retirement plan of the State of Arizona or paid to an Individual Retirement Account (IRA) or annuities to which the member specifies. The distribution shall be made in the form of a direct trustee-to-trustee transfer to the specified retirement plan or IRA. The distribution shall be made in the form specified by the member and at the time prescribed by the Fund Manager.

A member **with contributions since 7/13/1995** with **TEN or more years** of credited service who terminates employment with ADC before reaching an eligible age for retirement may apply to receive a retirement benefit when he reaches the age of 62 or when his age and credited service equals 80, provided the member has left his contributions on deposit with CORP. **Due to a change to the law, this provision does not exist for participants who began membership AFTER 7/13/1995.**

A member shall forfeit credited service if his accumulated contributions on account with CORP are refunded due to termination of employment with ADC or if such contributions are transferred to an IRA.

CREDITED SERVICE

Credited service is the amount of service time that a member earns by contributing to CORP. Credited service can also be earned by transferring service credits from another retirement system or plan for public employees of the State of Arizona to CORP.

The amount of **credited service** attributed to a member can affect the amount of the member's retirement benefit -- the more years of **credited service**, the greater the benefit. A member is credited with service only during the time period a member is employed by ADC in a CORP-designated position and receiving compensation. In no case shall service be credited for any period during which the member is not employed by ADC in a **CORP-designated** position.

Industrial Leave

Members on industrial leave who wish to continue making their CORP retirement contributions must complete an application to continue accumulating credited service. If an employee on industrial leave elects to continue making retirement contributions to CORP while on industrial leave, the member and the employer will be required to make full contributions to CORP based on the salary the member would have received in his job classification if he were working.

Partial contributions will not be accepted by CORP for employees on industrial leave.

If a member chooses not to continue making retirement contributions while on industrial leave he will continue to accumulate years of service but will earn no credited service for the period of time he is on Industrial Leave.

Leave of Absence With Pay

When a member is on an approved paid leave of absence (sick leave; annual leave; Employee Recognition Leave; paid administrative leave; or suspension with pay) a member receives credited service for the time period that contributions are made to CORP.

Leave of Absence Without Pay

When a member is on leave without pay, i.e., (approved leave of absence; Long Term Disability; industrial leave; FMLA; or suspension without pay) the member does not receive credited service for that time. However, a member is credited with years of service (compensated and non-compensated periods of employment). A member who receives a suspension without pay of less than 80 hours will have retirement deducted in an amount equal to 8.5% of wages paid. *(Example: A member who receives a 24 hour suspension is paid for 56 hours. 8.5% of the wages paid for 56 hours will be deducted for retirement).* Lump sum payments for earned compensatory time is not counted as credited service. However, Shift Differential Pay and Holiday Pay are counted as credited service.

CREDITED SERVICE

Family Medical Leave (FMLA)

A member receives credited service for **PAID FMLA only**. No contributions are withheld during **UNPAID** FMLA and the member accrues no credited service. Unpaid periods of FMLA are counted as leave without pay for retirement purposes.

Re-employment/Repayment of Contributions (C1B form)

A member previously employed by ADC, who received a refund of retirement contributions from CORP due to termination of employment, is eligible to redeem previously-forfeited credited service if he becomes re-employed with ADC **within two years** and satisfies the following conditions:

- A. The employee makes written application within **90 days** of being re-employed to have forfeited credited service restored. However, before forfeited credited service is restored, the employee must pay the total amount owed within one year after reinstatement.
- B. The employee repays CORP the total amount previously withdrawn plus interest at the rate of 9% compound annually from the date of withdrawal to the date of repayment.

Redemption of Prior Service (C2 form)

Members who return to work after receiving a refund of their contributions and **do not exercise their right to redeem previously forfeited credited service within the two-year time frame** may apply **at anytime during their employment** to redeem all or any part of the previously forfeited credited service. The cost for redemption of this service is determined by the increase in the actuarial present value of the projected benefits as determined by the Fund Manager.

CREDITED SERVICE

Transfers (U2 form)

An ADC employee who becomes an active contributing member of CORP may also transfer credited service from **another** Arizona retirement system or plan (ASRS, PSPRS, EORP) to CORP. This process must occur before the time of retirement. The member is responsible for initiating such a transfer and the payment of any additional accrued cash liabilities that may result from the transfer. Transfers and payment must be completed before the time of retirement.

An ADC employee who, as a result of a change in employment, becomes ineligible to participate in CORP is entitled to have his CORP credited service transferred to the Arizona State Retirement Plan that governs his new position.

A member of CORP employed by ADC in a CORP-designated position who terminates his employment and becomes re-employed by ADC in a non-designated position may have his credited service transferred to ASRS provided he has left his contributions on account with the fund.

At any time upon returning to employment a member may purchase previously-forfeited credited service from **another** retirement plan of this State by paying the actuarial present value of the increase in future benefits related to such purchased service.

Inter-System Transfers

An ADC employee, who has contributions on account with another State of Arizona Retirement Plan or county agency that participates in **CORP**, may have his credited service on account with the previous employer transferred to his CORP account with ADC provided the member has left his contributions on account with the fund.

Members who have terminated employment and left their money on account with any of the State retirement systems or plans, within Arizona, have the option to transfer service credits from that system back to the Arizona State system or plan of their choice provided the transfer does not cause either retirement system or plan to incur any unfounded accrued liability.

Credit for Military Service

A member may purchase up to 48 months of military time and receive credited service for retirement purposes for active military service if honorably discharged from military service. A member must pay the actuarial cost, as determined by the fund, of adding these years of credited service to CORP. Members may receive credited service for active military service if:

The member was honorably separated.

CREDITED SERVICE

Credit for Military Service (Continued)

- # The period for which the member receives credit does not exceed forty-eight (48) months.

(NOTE: Military time may be purchased while receiving a pension from the military.)

Active Military Service

ADC shall make both the employer and member retirement contribution for members who are on active military duty, not to exceed a period of forty-eight (48) months, based upon the salary the member received immediately before reporting to active duty if the member satisfies the following condition:

- # Employee is a member of the Arizona National Guard or a member of the reserves of any military establishment of the United States.
- # A member volunteers or is ordered into active military service of the United States as part of a presidential call-up.
- # A member is honorably separated from active military service and returns to employment with ADC within 90 days after the date active military service is terminated.
- # A member is hospitalized as a result of military service and returns to employment within 90 days after release or a member dies as a result of military service.

An active member may purchase military credited service at any time before retirement. When applying for this service, the applicant must submit a copy of the military discharge certificate (DD-256A) and a copy of his military service record (DD-214) or its equivalent with an application to purchase military service to CORP, 1020 East Missouri, Phoenix, Arizona 85014.

RETIREMENT

The following information is provided to assist you in making decisions regarding retirement. However, each member's situation is different. For more specific information regarding your individual retirement, you may contact the CORP Local Board Office.

Normal Retirement

CORP members who wish to retire should complete an application for normal retirement at their local institution's personnel office at least **45 days** prior to the anticipated date of retirement. Employees working at Central Office may contact the CORP Local Board Office. Applications may also be mailed to the CORP Local Board Office, 1831 West Jefferson, MC 560, Phoenix, Arizona 85007.

Upon satisfying any **one** of the following requirements, a member is eligible to receive a normal retirement pension (without a penalty) under CORP:

- # The member completes 20 years or more of service.
- # The member is age 62 with ten or more years of service.
- # The member's age plus years of credited service equals 80. *[Example: If a member has 19 years of credited service and is 61 years of age, he will be eligible for a normal retirement benefit because he has 80 points (19 + 61 = 80).]*

Benefits Calculation Formula

A member's retirement benefit is calculated using the member's age, average monthly salary, and the number of years and months for which he receives credited service. Any lump sum payments on termination of employment for accumulated vacation or annual leave, sick leave, compensatory time or any other form of termination pay will be excluded when calculating the average monthly salary.

The amount of the monthly normal pension is based on a member's credited service and average monthly salary as follows:

For retirement with twenty (20) years of credited service but less than twenty-five (25) years of credited service, the normal monthly pension is determined by multiplying 50% of the average monthly salary for the first 20 years of credited service, plus 2% of the average monthly salary for each year of credited service between 20 and 25 years.

RETIREMENT

Benefits Calculation Formula (Continued)

For retirement with less than twenty (20) years of credited service, the normal monthly pension is determined by multiplying 2.5% of the average monthly salary times the member's years of credited service. (This calculation would be used for members who are 62 years of age and have at least 10 years of credited service or a member whose age and credited service equals 80).

For retirement with twenty-five (25) or more years of credited service, the normal monthly pension amount is determined by taking a member's total amount of credited service **times** the service factor (2.5%) **times** the member's average monthly salary. The average monthly salary is calculated by using:

The highest **average monthly salary** earned during a period of **three** consecutive years of service within the last 10 years. (*The **average monthly salary** is derived by adding three consecutive years and dividing the total by 36*).

To estimate the amount of the monthly benefit for a normal retirement for 20 to 24 years of service, the member must:

Enter the number of years of credited service

20 years **Times** (.025%) = 50 % .50

Plus (.02%) for each year over 20 = %

TOTAL = %

Add **TOTAL** to **.50**
=(Retirement multiplier)
 %

Enter **average**

monthly salary

\$

#

TIMES

Retirement

Multiplier (%) =

monthly benefit

\$

RETIREMENT

Benefits Calculation Formula (continued)

To estimate the amount of the monthly retirement benefit for a retirement with 25 or more years of service, for 62 years with 10 or more years and for age plus years equals 80, you must:

_____ Enter the number of years of service

Multiply **.025% TIMES** years of service equals multiplier _____%

_____ Enter **average monthly salary**
\$ _____

_____ **TIMES** Retirement Multiplier **(%)** = monthly benefit
\$ _____

Using the following chart, a member may determine the percentage of his average salary, based on his years of credited service, that he will receive at the time of retirement.

RETIREMENT

Optional Retirement

Applies only to CORP members who meet the following criteria:

- # An employee must have been employed in a CORP-designated position in ADC before July 1, 1986.
- # Must be at least 50 years of age or older.
- # The member must have five or more years of credited service.

Individuals who meet this criteria may retire without meeting the retirement standards for a normal retirement under CORP. *(However, if a member chooses this retirement option, a reduction is applied to the member's benefit depending upon his age and whether he chooses a survivor option.)*

Optional Retirement Benefit Calculation Formula

#		Enter the number of years of credited service
#	Times Service Factor (2.0%)	
		x
		<u>.02</u>
#	Equals (Retirement multiplier)	
		=

#	Times average monthly salary	
		x
#	EQUALS estimated monthly benefit amount	
		=

Times percent of retirement benefit received (see chart on following page) **x**

EQUALS your estimated early retirement benefit **=**

The figures in the chart on the following page, provided by the Arizona State Retirement System, reflect the percentage of "normal retirement" benefits a member receives if he chooses to retire under the Optional Retirement clause.

RETIREMENT

Optional Retirement Option (Continued)

AGE	YEARS OF CREDITED SERVICE																	
	5-Mos. - 4.9 Years	5-9.9 Years	10-17 Years	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32+
	PERCENT OF RETIREMENT BENEFIT RECEIVED																	
65																		
64	N/A	97																
63	N/A	94																
62	N/A	91																
61	N/A	88	97															
60	N/A	85	94	97														
59	N/A	80	89	91	84	97												
58	N/A	75	84	91	94	97												
57	N/A	70	79	91	94	97												
56	N/A	65	74	91	94	97												

55	N/A	60	69						91	94	97										
54	N/A	55	64						91	94	97										
53	N/A	50	59						91	94	97										
52	N/A	45	54						91	94	97										
51	N/A	40	49						91	94	97										
50	N/A	35	44						91	94	97										
49	N/A	N/A	N/A N/A																		
48	N/A	N/A	N/A N/A																		
	5-Mos. - 4.9 Years	5-9.9 Years	10-17 Years	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32+			

RETIREMENT

Retirement Annuity Options (Continued)

Option # 2 - Will pay the member a reduced monthly benefit for life. If the member dies before receiving a total of 60 monthly payments (five years), the member's designated beneficiary will receive the remaining payments until all 60 payments have been made. If the member dies after receiving 60 monthly payments, payment of benefits will cease on the last day of the month of death.

Option # 3 - Will pay the member a reduced monthly benefit for life. If the member dies before receiving a total of 120 monthly payments (10 years), the member's designated beneficiary will receive the remaining payments until all 120 payments have been made. If the member dies after receiving 120 monthly payments, payment of benefits will cease on the last day of the month of death.

Option #4 - Will pay the member a reduced monthly benefit for life. If the member dies before receiving a total of 180 monthly payments (fifteen years), the member's designated beneficiary will receive the same monthly payments for the remainder of the 180 months. If the member dies after receiving 180 monthly payments, payment of benefits will cease on the last day of the month of death.

The following Joint and Survivor Annuity options will provide both you (the member) and your beneficiary with lifetime benefits.

Option # 5 - Will pay the member a reduced monthly benefit for life. At the time of the member's death, the spouse, if living, will receive a lifetime benefit equal to 66-2/3% of the member's monthly benefit. *(If your beneficiary is not your spouse, you may choose this option only if you are **NOT** more than 24 years older than your beneficiary).*

Option # 6 - Will pay the member a benefit each month for life. At the time of the member's death, the beneficiary, will receive a lifetime benefit equal to 50% of the member's monthly benefit.

Option # 7 - Will pay the member a reduced monthly benefit for life. At the time of the member's death, the beneficiary, will receive a lifetime benefit equal to 100% of the member's monthly benefit. *(If your beneficiary is not your spouse, you may choose this option only if you are **NOT** more than 10 years older than your beneficiary).*

DISABILITY RETIREMENT

An ADC employee, working in a CORP-designated position, who becomes incapacitated as the direct and proximate result of performance of duty, may be retired on a disability retirement at a pension of 50% of his average monthly salary. There are no service credit requirements for a disability retirement.

CORP has two types of disability retirements, (1) Accidental and (2) Total and Permanent. An employee may receive an Accidental or a Total and Permanent disability pension if:

- # A member files an application for disability retirement with CORP after the disabling incident or within one year after the date a member ceases to be employed with ADC.
- # A member undergoes all required medical examinations and tests by the Local Board's appointed physician.
- # The Local Board finds the member meets the criteria for either Accidental or Total and Permanent disability.

Accidental Disability

"Accidental Disability" is defined as a physical or mental condition that the Local Board finds prevents an employee from totally and permanently performing a **reasonable range** of duties within the employee's department, was incurred in the performance of the employee's duties and was the result of either physical contact with inmates, responding to a confrontational situation with inmates or a job-related motor vehicle accident.

A member is **NOT** eligible for an Accidental Disability retirement if:

- # The injury is the result of a motor vehicle accident while traveling to or from work.
- # A member has service in the armed forces of the United States which entitles the member to a veterans disability pension.
- # The condition was the result of an injury suffered while engaged in a felonious criminal act.
- # The condition/injury occurred before the date of membership in CORP.
- # The member is found guilty of violating a Personnel Rule, a rule established by the members employer or a State or Federal law in connection with a job-related motor vehicle accident.

Total and Permanent Disability

"Total and Permanent Disability" is defined as a physical or mental condition which the Local Board finds totally and permanently prevents a member from engaging in any **gainful employment** and which is the direct and proximate result of the member's performance of his duty as an employee of the Department of Corrections. **(Not an "Accidental Disability")**.

Total and Permanent Disability (Continued)

DISABILITY RETIREMENT

"Gainful employment" means the capability of performing at least four hours of work, at least four days a week, for which the member would have earned at least \$300 monthly and /or the minimum hourly wage. It is not restricted to the type of work performed before impairment, nor is it limited to job opportunities actually available and/or located near the member's home.

A member **does not qualify** for Total and Permanent Disability retirement benefits under CORP if the Local Board determines that his disability results from any of the following conditions:

- # The condition was the result of an injury suffered while engaged in a felonious criminal act.
- # A member has service in the armed forces of the United States which entitles the member to a veterans disability pension.
- # The condition/injury occurred before the date of membership in CORP.

The Local Board determines if a member meets the criteria for a disability retirement based on medical evidence obtained by a medical doctor or clinic selected by the Local Board. A disability retirement becomes effective the date a member ceases to be an employee.

The Local Board may require that a member, receiving a disability pension, undergo periodic medical or psychological reevaluations until the member reaches age 62. Payment of benefits for a disability shall be terminated if the Local Board finds the retired member no longer meets the requirements for the disability pension. The Local Board may also suspend payment of benefits if the retired member refuses to submit to a reevaluation of his condition. If the refusal continues for one year, the Board may revoke the disabled retired member's rights to benefits entirely.

Disability Rehearing

A member who receives a notification of denial of his application for an Accidental or a Total and Permanent disability retirement may be entitled to a rehearing. A written request for a rehearing must be submitted to the Local Board or its secretary within 60 days after the member receives a notification of denial.

The Fund Manager may apply for a rehearing on a specific application after receiving notification of the Local Board's original action of denial of a claimant's application for an Accidental or Total and Permanent disability retirement. The Fund Manager must submit a written request for rehearing to the Local Board or its secretary within 60 days after receiving notification of the Local Board's original action of denial. (A.R.S. Section 38-893)

DISABILITY RETIREMENT

Long Term Disability (LTD)

The Long Term Disability (LTD) Program provides employees of the State of Arizona with a monthly benefit designed to partially replace income lost during periods of total disability resulting from a covered injury, sickness or pregnancy. It is administered by the Arizona Department of Administration. Employees of the State of Arizona who are CORP members are eligible for benefits under this program. However, members of CORP are ineligible for the health insurance subsidy.

LTD Benefits are provided for State of Arizona employees who are totally disabled for more than six months. This benefit is equal to 66-2/3% of an employee's basic monthly salary. A CORP member who qualifies for LTD and meets the criteria for a CORP disability retirement may receive both CORP and LTD benefits at the same time. However, the amount of the monthly LTD benefit will be reduced. The amount of the monthly CORP disability benefit is subtracted from the basic monthly LTD benefit to determine the actual amount paid by LTD. The member will not receive more than 66 2/3% of his salary.

For a more detailed explanation of Long Term Disability Benefits you may contact the Arizona Department of Corrections, Personnel Services Bureau, Benefits Office, 1831 West Jefferson, Phoenix, Arizona 85007.

SURVIVOR BENEFITS

Survivor benefits are payable to an eligible spouse/child of a deceased, retired or a deceased, non-retired employee of ADC who is a CORP member. An eligible beneficiary is normally a surviving spouse. However, if there is no eligible surviving spouse, any eligible surviving children are considered as eligible beneficiaries and paid equal shares of the benefit which would have been payable to the surviving spouse.

Benefits Payable to the Surviving Spouse of a Member Who Dies Before Retirement (Active Member)

The surviving spouse of a member who dies before retirement is entitled to receive a pension for life if each of the following conditions are met:

- # The surviving spouse files a written application with CORP for survivor benefits.
- # The member was married to the surviving spouse for a least two years at the time of the member's death.

The amount of a surviving spouse's benefit is equal to forty percent (40%) of the amount of the average monthly salary the deceased member was earning at the time of death.

Benefits Payable to the Surviving Spouse of a Member Killed in the Line of Duty (Active Member)

The same conditions as above apply for a surviving spouse of a member who is killed or dies from injuries suffered in the line of duty. The amount of the surviving spouse's monthly benefit is equal to one hundred percent (100%) of the deceased member's average monthly benefit.

Benefits Payable to the Surviving Spouse of a Deceased Retired Member

The same conditions as above also apply to a spouse of a deceased retired member with the following exception: The amount of the surviving spouse's benefit is equal to **four-fifths** (80%) of the amount of the retired member's pension at the time of death.

Guardian/Child's Benefit

A guardian/child's benefit is payable only if there is no eligible surviving spouse receiving survivor's benefits **or the pension of the eligible surviving spouse has been terminated.**

The applicant for the Guardian/Child's Benefit must be the legally-appointed guardian or custodian of the deceased member's eligible children.

If there is no eligible surviving spouse, the surviving child will be eligible to receive forty percent (40%) of the amount of the deceased member's average monthly salary that the member was receiving at the time of death. If the deceased member is retired at the time of death, the surviving child will receive eighty percent (80%) of the amount of the retired member's pension. If there is more than one surviving child who is eligible to receive a pension, the amount of the pension is divided equally among all the surviving children.

SURVIVOR BENEFITS

Guardian/Child's Benefit (Continued)

An eligible child may receive benefits if the following conditions are met:

- # The child is the natural offspring of the member or was legally adopted.
- # The child is unmarried.
- # The child is under 18 years of age.
- # The child is over 18 years and a full-time student less than 23 years of age. A child over 18 years of age is also eligible if the child was declared legally disabled before age 23.

Guardian/child's benefits shall terminate if an eligible child is legally adopted or when the eligible child becomes 18 years of age unless the child is a full-time student. If the child is a full-time student, the benefits will terminate at age 23. **Benefits for a child declared disabled before age 23 will terminate upon the child's death.**

Death Benefit

If an active or inactive non-retired member of CORP dies without leaving a surviving spouse or eligible surviving children an amount equal to **two times the member's accumulated contributions**, on account with CORP, is payable to the named beneficiary on record with the Fund Manager.

PENSIONS/BENEFITS

Pensions: Commencement and Duration

A Normal Retirement, Accidental Disability or a Total and Permanent Disability pension commences on the first day of the calendar month following the member's date of retirement. The first benefit payment will be issued on the last working day of the month. *(Example: A member who retires July 1, 2004 will have a retirement date effective August 1, 2004. Also, a member who retires July 31, 2004 will have a retirement date effective August 1, 2004.)*

A Survivor Retirement pension begins on the first day of the calendar month following the month of the member's death. If, for any reason, the survivor's pension is terminated, the payment of benefits ceases at the end of the calendar month in which the event causing the termination occurred. The survivor receives full payment for the month of termination.

Any change which may affect a change in the amount of a member's benefit, such as a cost of living increase, will become effective on the first day of the calendar month following the date of the event causing the change.

A member's pension or a refund of accumulated member contributions is not subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law or other process of law except a qualified domestic relations order, and is unassignable except as may be otherwise specifically provided. However, this does not exempt an employee's benefits from a writ of attachment, a writ of execution, a writ of garnishment, and orders of assignment issued by a court of record as the result of a judgment for payment of child support or for child support debt.

A **retired** ADC employee, who is re-employed by ADC in a CORP-designated position, shall have his pension suspended until the retired member again ceases employment with ADC. While employed, the **retired** member does not contribute to the fund and receives no credited service. When employment with ADC ceases, the **retired** member may again receive a pension at the same rate as before becoming re-employed.

Guaranteed Minimum Aggregate Payout

If a member's pension is permanently terminated before the total benefits paid equals the retired/deceased member's accumulated member contributions, the difference shall be paid to the beneficiary named by the member. If no such beneficiary survives the member, the difference is then paid to the legal representative of the last surviving individual who was being paid a pension as the result of a member's death, or the last surviving named beneficiary.

State Taxation of CORP Benefits

Effective January 1, 1989, all CORP retirement benefits in excess of \$2,500 annually will be subject to Arizona State tax. *[Example: If a member's pension amount is \$20,000 per year, State taxes on \$17,500 (\$20,000 - \$2,500 = \$17,500) will be due.]*

PENSIONS/BENEFITS

COLA Benefit Increases

Effective July 1 of each year, each CORP retiree or survivors may be entitled to a permanent benefit increase. The maximum amount of the increase will be (4%) of the average normal benefit a member received on June 30th of the preceding year, and is contingent upon sufficient excess investment earnings of the Fund Manager. Retirees or survivors who are 55 years of age on July 1 of the current year and were receiving benefits on or before July 31st of the previous year are eligible for the COLA increase. Retirees or survivors who were receiving benefits on or before July 31st of the two previous years are eligible for the COLA increase regardless of age.

HEALTH INSURANCE

Retiring CORP members and their eligible dependents are entitled to enroll in one of two State of Arizona Retiree Group Health Insurance Programs. These programs are the State Agencies Universities Active & Retiree Benefits Options (SAGUARO) program administered by the Arizona Department of Administration (ADOA) and the ASRS Group Insurance Health Program. The ASRS Group Insurance Health Program is administered by the Public Safety Personnel Retirement System.

The retiring member or surviving spouse may enroll for medical coverage, dental coverage, or both, under either of these programs. Information packets regarding available insurance coverage under these plans can be obtained by contacting the appropriate plan administrators shown below:

Department of Administration
Benefits Office
100 N. 15th Ave. #103
Phoenix, Arizona 85007

Phone No. (602) 542-5008
(800) 304-3687
www.hr.state.az.us/benefits

Public Safety Personnel Retirement System
Group Health Insurance
1020 East Missouri
Phoenix, Arizona 85014

Phone No. (602) 255-5575
www.psprs.com

Health Insurance Premium Subsidy

For ADC employees retiring under CORP or survivors who elect coverage under one of the above Group Health and Accident Insurance Plans are eligible to have CORP pay part of the premium required each month in the amounts indicated below:

<u>Not Medicare Eligible</u>	<u>Dependents</u>
\$ 150	\$ 260
<u>Medicare Eligible</u>	<u>All Medicare Eligible</u>
\$ 100	\$ 170
	<u>One With Medicare</u>
	\$215

Until **June 30, 2005**, a retiree or survivor who reside in a non-service area is entitled to receive up to the following amounts in addition to the subsidy listed above. This subsidy will require a monthly out of pocket payment by the member. A non-service area is defined as an area within Arizona where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the retiree or survivor is eligible. The subsidy consists of up to the following amounts:

HEALTH INSURANCE

Health Insurance Premium Subsidy (Continued)

MEMBERS	DEPENDENTS
<u>Not Medicare Eligible</u>	<u>All Not Medicare Eligible</u>
\$300 *(\$125 out-of-pocket)	\$600 *(\$425 out-of-pocket)
<u>Medicare Eligible</u>	<u>All Medicare Eligible</u>
\$170 *(\$100 out-of-pocket)	\$350 *(\$200 out-of-pocket)
	<u>One With Medicare</u>
	\$470 *(\$400 out-of-pocket)

* **NOTE:** Monthly out-of-pocket amount must be paid before temporary subsidy is awarded.

LEGISLATION

- 1986** CORP is established by the Legislature effective July 1, 1986. At that time, the following positions were designated as CORP job classifications:
- (a) Food Service
 - (b) Nursing Personnel
 - (c) Corrections Physician's Assistant
 - (d) Therapist
 - (e) Corrections Dental Assistant
 - (f) Hygienist
 - (g) Corrections Medical Assistant
 - (h) Correctional Service Officer, including Assistant Deputy Warden, Deputy Warden, Warden and Superintendent
 - (i) Correctional Program Officer, excluding those serving as Parole Officers
 - (j) Intelligence
 - (k) Criminal Investigation
 - (l) Institutional Maintenance Workers
- 1990** A five-member Local Board is established by the Legislature to determine membership eligibility, service credits, benefits eligibility, timing of benefit payments and the benefit amounts for its eligible group of employees. A health insurance subsidy for retirees and additional death benefits were added to the program. Additionally, legislation was enacted to add the following CORP job classifications.
- (m) Parole Officers
 - (n) Investigators
 - (o) Teachers
- 1992** Legislation was enacted that provided for another CORP job-related disability (Accidental Disability) in addition to the existing "Total and Permanent" job-related disability.
- 1994** The Legislature increased the accrual rate in determining a CORP member's monthly pension from 2.0% to 2.2% and provided for members to receive years of service credit for military service during the time of a presidential call-up.
- 1995** Legislation was enacted allowing a CORP member to receive a normal retirement pension when the sum of the member's age and years of credited service equals 80.

LEGISLATION

1996 H.B. 2075 was adopted into law effective retroactively to January 1, 1995. This legislation granted authority to the Local Board to allow employees with five or more years of credited service in CORP to remain in CORP while temporarily filling a non CORP-designated position in ADC. Additionally, the Local Board was also granted the authority to allow an employee with five or more year of credited service with the Arizona State Retirement System (ASRS) to remain in ASRS if the employee fills a position with ADC that is a CORP-designated position.

1997 Effective July 21, 1997, legislation was enacted which increased the accrual rate, for purposes of retirement, from 2.2% to 2.5%. In addition, the member contribution rate was increased from the current 6.65% of gross salary to 8.5%. Passage of this legislation also allows the ADC director, deputy directors, and assistant directors hired after July 1, 1998, to participate in CORP.

1999 Effective August 6, 1999, H.B. 2086 was adopted into law. This bill allows members to redeem forfeited years of service which were previously refunded from CORP. The cost to purchase this forfeited time would be the increase in actuarial present value (APV) of projected benefits.

S.B. 1051 was enacted, which increases an eligible spouse's pension benefits from the existing 2/3% to 3/4%. This bill also increased the age requirement of an eligible child's pension from the current age of 22 to 23 if the child is a full-time student.

Effective August 6, 1999, S.B. 1083 was passed into law. This bill allows a member of CORP, who terminates employment after 5 or more years of credited service to receive monies in addition to the member's contributions to the Plan in amounts ranging from 25% to 100% of the member contribution.

2001 S.B. 1129 was enacted, which provides for a normal retirement at twenty-years (20) of service with a maximum of 32 years. The pension at 20 years of service would be 50% of a three year average salary with 2% increments for every year over 20 up to 25 years.

Effective retroactively to July 1, 2001, S.B. 1107 was passed into law. This bill provides for a permanent increase in the maximum monthly health insurance premium subsidy to each eligible retiree and survivor.

S.B. 1107 was enacted. This bill temporarily increases the maximum monthly health insurance premium subsidy to each eligible retiree and survivor who live in a non-service area. This temporary increase will last through June 30, 2003.

LEGISLATION

2001 Effective August 9, 2001, S.B. 1045 was enacted. This bill provides a cap of 4% of the annual cost of living increase (COLA). This cap is at the equivalent of 4% of the average normal monthly benefit received by all retirees.

H.B. 2111 was enacted into law, effective August 9, 2001. This bill provides, individuals who have left their retirement contributions on account with any of the State retirement systems or plans and has terminated employment, the option to transfer service credits from another Arizona State retirement system or plan back to the Arizona system or plan of **their choice**.

2002 H.B. 2118 was enacted into law, effective August 22, 2002. This bill (1) increases the pension for a surviving spouse of a retired member from 75 percent to 80 percent of the member's monthly pension, (2) increases survivors pensions from 37 and 2 percent to 40 percent of the member's monthly salary (3) gives the surviving spouse of a member killed in the line of duty a monthly pension benefit equal to the member's average monthly benefit compensation, (4) clarifies that a member in CORP customarily work at least forty hours in a normal week.

2003 H.B. 2349 was enacted into law, effective September 18, 2003. Public Retiree Health Insurance supplemental medical insurance premium subsidies for certain retirees are extended through June 30, 2005, with the following provision: After June 30, 2003, to qualify for the supplemental benefit, retired members are required to pay minimum monthly out-of-pocket expenses which depends upon Medicare eligibility and family coverage.